



MATTHEW H. MEAD
GOVERNOR

STATE OF THE STATE
FEBRUARY 13, 2012

Governor Matthew H. Mead's
State of the State
61st Legislature Budget Session
February 13, 2012

Mr. President, Mr. Speaker, members of the 61st Wyoming Legislature, Secretary Maxfield, Auditor Cloud, Treasurer Meyer, Superintendent Hill, Chief Justice Kite and members of the judiciary, citizens of Wyoming.

Good morning.

Thank you for the warm welcome and for the prayer to open these proceedings.

And welcome to members of the Eastern Shoshone and Northern Arapaho Tribes who join us today. Thank you for taking the time and making the trip from Wind River Indian Reservation to be here.

Treasurer Meyer, a special welcome to you and Mary, all of us couldn't be more pleased you are quickly recovering and are here today.

Some 13 months ago, I had the privilege of delivering my first State of the State address as Wyoming's 32nd Governor.

This morning represents another first -- my first state of the state to the Legislature for a budget session.

What is the condition of Wyoming?

Well while other places face extreme revenue shortfalls and severe budget constraints, Wyoming does not.

The nation continues to be plagued with high unemployment -- still north of 8%. In contrast, while Wyoming's unemployment rate in winter 2010 was 7.5%, it has been under 6% since June 2011 and stands at 5.8% by latest reports. Wyoming is strong in employment.

After visiting with Secretary Salazar last February in Washington D.C. about delays in coal leases, we had five coal lease sales this past year including some record sales in terms of price.

We remain number one in trona production; we have 70% of the world's supply of bentonite; we are number one in coal production; we are number one in uranium reserves; and year in and year out we rank first or second in natural gas production.

These resources equate to tremendous value. The total value for minerals produced in Wyoming hit \$15.5 billion dollars in 2010, the second best year ever and up 23% since 2009. Wyoming remains strong in minerals.

Tourism even in lean times continues to be a strong contributor to our economy. In 2011, record revenues were generated by travel in Wyoming. We have world-class views, world-class recreation, and world-class hunting. Such assets make us a great tourism destination with millions every year enjoying what only Wyoming has to offer. Wyoming remains strong in tourism.

Agriculture continues to do well. Livestock prices this past year were a tremendous boost to producers and to all of Wyoming. Wyoming remains strong in Ag.

Small businesses are job creators. Wyoming for the past four years has fewer failures in small business than almost any other state. Wyoming remains strong in small business.

During a time when so many had credit ratings drop, our state's credit rating went up. In May 2011, Wyoming joined only a handful of other states to receive Standard & Poor's highest (triple A) rating. Conservative budgeting and forecasting practices were cited for the upgrade.

A report from The Tax Foundation recently put Wyoming at the top (number one) of its index of states with good tax climates.

We have over \$14 billion dollars in assets and can build on savings again this year while continuing to invest for future success through wise appropriations. Wyoming remains strong financially.

Every year a report ranks states to determine how well they are run.

The recent report ranking states is good news for Wyoming. This is not due to my work but rather because of the work of the private sector, this legislative body, past administrations, public employees and Wyoming citizens who commit to remain fiscally conservative.

The report noted that Wyoming has the fourth lowest rate of violent crimes and the sixth lowest unemployment rate. The report also cited the high percent of our adult population, age 25 years or older, that are high school graduates. At 92.3 percent, our state ranks first in the nation.

Our strength in employment -- minerals -- tourism -- ag, small business and financial stability have once again allowed Wyoming to be rated as the "Best Run State in the Nation."

Congratulations Wyoming. I am pleased to report the state of the state is strong.

Beyond the picture painted by these figures and reports, we have small businesses that are thriving, teachers that are innovating, community colleges and a university that continue to advance.

We have a citizenry that while small in numbers is big in spirit and accomplishment. Hard-working citizens in every sector make our state strong.

Our communities are a source of great pride, and we want them to have what they need to compete and to prosper. After all, it's on Main Street where businesses grow and jobs are created, not in the Capitol building.

Funding for communities and infrastructure are a high priority, even with the special budget discipline we have to exercise this year.

We don't want to be penny wise and pound foolish. We have sufficient resources to save wisely, invest wisely in our communities and our infrastructure, and at the same time make necessary reductions in budget growth. Just as homeowners don't wait for the roof to fall in to fix it, we should not wait to fix and enhance our critical infrastructure -- roads, landfills, water systems, and the like.

We invest for the future through careful saving and careful spending. I believe my budget recommendations strike the right balance.

Despite the many areas of good news, we know not everyone in Wyoming is doing well; we know we are not a bank that only cares about the bottom line; and we know we are not an island. We have seen economic instability grow and spread across Europe. We have watched debt mount at the national level. We have observed the effects of an unstable global economy.

We absorb this news because we are not insulated from developments outside our state's borders. We feel the effects of what happens around us, for example the effects of lower natural gas prices. National and global uncertainties and energy price fluctuations require us to redouble our efforts to keep the economic recovery going and growing in Wyoming.

Jobs and the economy must remain top priorities.

Therefore, we must continue to look for ways to diversify our economic base. We have made some headway.

The NCAR facility in Cheyenne will house a one petaflop supercomputer. A petaflop is equal to one quadrillion computer operations per second. From bytes to petaflops, we've come a long way in computer technology and, with the supercomputer; Wyoming is in the thick of things.

Wyoming's weather, energy availability and affordability, and location on major east-west and north-south highways and rail lines make our state a good fit for tech and other businesses.

In this regard state government must set an example of leadership and use of Information Technology (IT). We must expand our use of teleconferencing. We must have a single agency in state government that consolidates IT services. Senate File 33 will take us there.

I was pleased to announce last year that, for the first time, we managed, through cloud computing, to get state employees on the same email system. This cloud computing system provides for greater collaboration.

This move to a new system provides savings and increased security. Among other things, cloud computing makes our email a stronger tool by providing, for the first time, an easy method for every state employee to email *any* state employee and for the public to do likewise.

The backbone of IT technology is broadband. When I took office, the state's major broadband provider had only two towns in Wyoming capable of high speed gigabit broadband. Thanks to a public-private partnership, this company expanded this capability to an additional 18 Wyoming communities.

We increased the reach of this level of high speed connectivity to our schools this past year by more than 250%. We must continue our work with additional public-private partnerships, with both large and small companies, to expand IT in Wyoming.

To further this effort I have asked to carry over \$15 million dollars from last year's appropriations for recruitment of tech-related businesses and data centers, and I support an additional \$15 million.

Funding for technology is essential but alone is not enough to diversify our economy and build businesses and jobs -- education will be key to this effort.

As home to some of the world's mightiest computing power, we are looking for ways to increase opportunities for Wyoming in the area of Science, Technology, Engineering and Math (STEM) education. The economic drivers of our state demand workers with knowledge and skills in these four important fields. Just last week, over 100 educators and businesses came together in a STEM summit to explore options and move forward.

We will continue to push STEM education.

In Wyoming we are blessed with wonderful natural resources. It is our people, however, that secure our future.

Every child is a blessing and the well-being of our children determines the well-being of our state. Providing the best education in a safe environment goes a long way to expanding our children's horizons.

In partnership with the Wyoming Business Alliance and Wyoming Heritage Foundation, I co-hosted a Business Forum in Cheyenne for a day and a half last November. We heard Wyoming business success stories about the McMurry family, about Mountain Meadow Wool, and a business woman this group knows very well, Lisa Shepperson, in addition to many others.

One of the national speakers crafted his speech around a top 10 list of those things Wyoming needed to improve upon in order to lead in economic development. The top five items in his list were all the same -- education, education, education, education, education.

As I meet teachers from all over the state, I recognize our good fortune in the quality of educators, and it continues to improve. I also recognize that we have yet to get the results we want. We need to do better.

Wyoming and this Legislature have shown their strong financial commitment to education. We need now to show commitment to a strong and consistent message.

Administrators and teachers have grown frustrated with mixed messages, changing ideas on testing and shifting views. The public grows weary of debate without direction.

We need a direction that provides consistency. We need continuity that survives elections and politicians that come and go.

While education is complex, we should all agree on a fundamental goal that carries forth and drives future decisions. The goal I seek agreement on is this: Wyoming should strive to have a K-12 system that is second to none. Is this possible? I believe it is, and I worry less about setting the bar too high and more about setting it too low.

Wyoming kids have to compete on a global scale. Nothing but the best education will do.

We need accountability in our schools, accountability in our parents. And with every decision, all of us should make it known that mediocrity is not acceptable.

We don't need to push all students into a four-year university. Career and technical education programs are perfectly viable alternatives.

Likewise, not everyone has to go to a traditional public school. Religious schools, home schools, virtual schools and charter schools can provide innovative ideas and alternatives to parents. But whether public school or not, all of our kids need a top-notch K-12 education that prepares them for the future.

To ratchet up the quality, we need more rigorous standards. Common core standards have been debated and discussed. I asked for more public participation and comment in the process of their consideration. This has been done.

Now is the time, without regard to what the federal government may want, for us to step up, refuse to be left behind and accept common core standards as determined by Wyoming citizens. We are not signing on with federal curriculum. These are Wyoming standards. We are signing on to a better future for our children by demanding more rigorous standards.

If the federal government tries to steer us in a direction we don't want to go, we will simply refuse. There is no federal hook that will push us from Wyoming law or Wyoming standards. Wyoming law and Wyoming standards control.

I believe we have the resources, the talent and the opportunity to move forward for higher standards. Our education system needs them. Our Wyoming kids deserve them.

An example of talent is Brent Daly from Gillette. Brent is Wyoming's teacher of the year.

Brent stands out as a humble, passionate and caring educator. He delights in seeing his students grow through their experiences in his science classroom, through student council, and through the numerous activities he sponsors in the Gillette community.

People who know Brent speak about him in superlatives -- such as, he is the rarest of teachers, he wants the best for his students, he is the most inspiring. One student wrote that his experience in Brent's chemistry class and Brent's encouragement led him to pursue studies in the field of chemical engineering.

Brent, please stand and let us thank you for your contributions to educational excellence in Wyoming.

As I wrote in my budget message, the state budget must acknowledge the limits of government.

We must be good stewards of public dollars, recognizing that while we may not be able to meet all the wishes of today we must strive to meet all the needs of tomorrow.

The budget I submitted in December was balanced and trimmed our sails. In January, after the report of our Consensus Revenue Estimating Group (CREG) I went back to the drawing board.

The January report forecast a significant reduction -- about \$113 million dollars lower over the next couple years. The lower forecast was based mainly on estimates of natural gas prices, which the CREG revised downward from \$4.00/mcf based on the large supplies and mild weather. We should all be aware that natural gas prices have been stuck in the mid two dollar range for some time and the CREG price forecast may be overly optimistic.

Based upon the revised estimates, I reduced my original budget proposal by about \$64 million dollars to take the latest forecast into account.

The budget revisions I submitted in January, together with my original proposal, produce a balanced budget, allow for savings, and take a strategic approach to reducing the budget. At the same time, I have not recommended deep across-the-board cuts to agencies. Instead, I used a targeted approach identifying those areas where we could slow or even reduce growth.

Some cuts have been made, but we should distinguish between cuts and reducing growth -- there is a real difference. Slowing growth, which is what my budget focuses on, is not a cut.

For Wyoming to continue to be strong we must ask what those things that have made us strong are and what must we do to nurture those areas.

Wyoming has remained strong because we are an agriculture state.

Agriculture was key in the creation of our state and Ag remains part of our rich heritage, culture and economy. The well-being of our state requires the well-being of Ag. I admit a bias in this area, but my bias does not just come from my Ag background it comes from a sense of all that Ag provides to Wyoming.

Ag does much more than support Ag families. Ag gives a boost to implement dealers, fertilizer folks, local pickup dealers and many more. Ag supports our two largest industries -- minerals and tourism.

There are 11,000 ranches and farms in Wyoming, representing the largest average size ranch of anywhere in the United States. Those 11,000 ranches and farms equate to open space, clean air, clean water, and wildlife habitat.

Our ranches and farms provide the lure for tourism, for recreation and for untold opportunities for energy development. Ag lands provide a shield against action by the federal government regarding endangered species. These lands also provide sportsmen with unforgettable experiences.

We need to make sure Ag thrives because it is the stage, the platform, the foundation for so many value-added economic opportunities.

Ag adds quality to our life experience as Wyoming citizens that goes far beyond economics.

With federal grazing leases being threatened, with predation and disease concerns, with fear of the next listing of an endangered species, with changing economic conditions, with inheritance tax issues, some of our long-time family ranches are faced with an uncertain future.

It is becoming more difficult to get and keep young people in the Ag industry. This is an issue for Wyoming and for the country.

We need all options to keep Ag's future secure. For some families, conservation easements are a preferred alternative to selling out.

The Wyoming Wildlife and Natural Resource Trust plays a role in easements and is part of the picture in ensuring a strong future for Ag in Wyoming.

The Trust is an independent state agency established in 2005. In its seven years, the Trust has completed projects in all 23 Wyoming counties -- more than 323 projects to date. Over \$35 million dollars from Trust funds have been allocated for these projects. Matching contributions from other sources have brought total expenditures to about \$200 million.

Not surprisingly, a recent report shows that benefits from the Trust's projects include economic ones. A December report from the UW Ruckelshaus Institute estimates the Trust generated more than 500 jobs annually and nearly \$21 million dollars in labor earnings in Wyoming since 2006.

Whether you hunt or fish, whether you are a stockgrower, or stockbroker, or just a person who relishes the outdoors and all it offers in Wyoming, our quality and way of life are tied to successful conservation efforts.

I have included funding for the Wildlife and Natural Resource Trust in my budget recommendations and ask for support of this funding, for Ag, for conservation, for tourism and for energy -- all a big part of Wyoming's future.

Outside of my budget recommendations, I am asking for your support on my proposed wolf plan. After years of court battles, where every year the number of wolves increases by about 10 percent, where we have lost the ability to manage that which belongs to us -- our wildlife, where wolves threaten our Ag, wildlife and outfitters, it is time to move forward.

We must accept the fact -- if Wyoming is to have wolves and it is clear that we are -- we have a scientifically sound approach that gives us management and the ability to have a balance in terms of numbers.

If we don't move forward, we diminish our state's rights and miss an opportunity to achieve greater balance.

Some disagree with my plan, instead believing a solution lies in the hands of a few judges and we should continue in the courts. We have had some good and some not so good results in the courts, but no court decision has led to on-the-ground changes. And time is not on our side. Every year we fail to manage wolves the number of wolves increases.

As for me, I would rather have this body make a proactive decision than hope for the best in courts. I don't know what the future of court decisions may be, but it seems less than a good plan to continue into a third decade in the courts, where to date we have not gained the ability to manage wolves, the numbers keep going up, and the only proven winners have been the attorneys and the wolves.

I acknowledge, unlike Montana and Idaho, we have not yet received congressional approval of our plan. Of course, we learned that despite congressional approval Montana and Idaho were both promptly sued.

In fairness, I think it was a hard lift for Congress to give blanket approval to a plan that had yet to be peer reviewed or even made law by Wyoming.

If this plan is approved, I will work with our very able congressional delegation and others to seek congressional approval of a plan that I remind you both the Secretary of Interior and the Director of Fish and Wildlife have already approved.

More importantly, the Wyoming Stock Growers, the Wyoming Wool Growers, the Farm Bureau Federation, the Wyoming Outfitters and Guides and Sportsmen for Fish and Wildlife have endorsed the plan. I thank each of those groups for their help and leadership.

Ag is important to me, important to Wyoming, and important to our country. In addition to all the collateral benefits Ag provides, our country needs the security that comes from being able to feed our citizens.

On a lighter note, if we cannot stay an Ag state, it is hard to have a bronc on our quarter, our license plates, and those wonderful UW helmets and jerseys.

Moreover, how can Wyoming continue to have people like Jhett Johnson -- a sixth generation rancher, a cancer survivor, a rodeo star -- without Ag.

Ladies and Gentleman, join me in welcoming Jhett Johnson, this year's world champion team roper from Casper, Wyoming. Jhett is part of Team Wyoming and he proved in Las Vegas that there is no one better -- no one in the world. We are pleased to have you here Jhett, please stand.

Jhett, you may be interested to know that I was a team roper myself, but putting the two of us in the same room is like combining matter with antimatter. I was the world's worst, you are the world's best.

Congratulations, Jhett, and thanks for making Wyoming proud.

Wyoming remains strong because we are a tourism state.

I recently wrote a message for our state highway map about climbing Wyoming's impressive peaks, exploring our state parks, or just kicking back and taking in our state's incredible beauty.

Wyoming has so many places and vistas that lift the spirit, satisfy the adventurous, soothe the soul, and our citizens are ready with a smile and welcoming hands. Tourists enthusiastically respond to all Wyoming has to offer.

Numerous budget recommendations -- for example, for the Tourism Board, Game and Fish, State Parks and Cultural Resources, the Wildlife Trust, and Board of Outfitters -- directly or indirectly support tourism. I would ask this body for its continued support of Wyoming's second largest industry.

Wyoming has remained strong because we are an energy state.

In addition to Ag and tourism, Wyoming is an energy state; more accurate would be to say, Wyoming is the energy state. We are proud that, compared to all 50 states, we are the number one exporter of British Thermal Units (BTUs).

Every single Wyoming citizen enjoys and benefits from what mineral development provides. The Wyoming Taxpayers Association estimates minerals directly and indirectly contribute up to 80% of the state's revenues.

We want our mining and oil and gas industry to remain strong. To keep the energy sector strong, we must seek to ensure longevity for these industries and maximize the benefit of production.

We should encourage value-added projects that in addition to adding value provide new technologies, new efficiencies, and cleaner uses for our raw products.

This is why I asked for about \$6 million in funding for enhanced oil recovery. This is why I support looking at projects from coals to liquid, from natural gas to liquids, and why I support a move to allow Wyoming, rather than the federal government, to regulate greenhouse gases.

This is also why in my budget I have asked for strong funding for the School of Energy Resources -- \$20.4 million for the regular and continued operations of the school; \$10 million to implement new strategic areas of concentration, \$10 million for energy partnership matching funds; \$2 million to begin a CO2 pipeline network; and \$1 million, matched by external funds, for continuity of carbon storage and other research. I am pleased to see that the appropriations committee added another \$5 million dollars.

Wyoming should be viewed not just as the place to get the product but as the place to get the technology and intellectual value, too. We can do this with continued robust support of the University of Wyoming and our Community Colleges and partnering with the private sector on new innovative projects.

And Wyoming must develop a sound energy policy that recognizes the value of development and the value of conservation. America needs all energy sources. Wyoming has the ability to provide energy now and in the future as long as we maintain a balance to development that recognizes all that we love about Wyoming.

In Wyoming, we have a long history of energy companies and individuals in the energy sector who have given back to their communities and our state.

All of us can name many of these individuals without much effort, but today I want to introduce one of many Wyoming energy producers who gives back -- Maurice Brown from Cheyenne. As a boy, Maury made money shining shoes and selling newspapers. Instead of going to college he helped his parents run a grocery store.

In Laramie County and beyond, it is the rare charity event where Maury is not only in attendance but donating to the cause. He supports 4H-FFA, Meals on Wheels, Salvation Army, YMCA, the animal shelter, COMEA, Safehouse and many more worthy causes. He buys University of Wyoming football tickets for kids who cannot afford them and even rents a bus and buys lunch for the kids going to the game.

Maury is a Wyoming man, a business man, an energy man whose business success is only surpassed by his generosity.

Maury, please stand and let us recognize you as we recognize all the folks from energy who give back to Wyoming. Thanks for all you do.

Small business entrepreneurs are driving forces in Wyoming and America. Wyoming is strong because of the many small business that thrive here.

According to the most recent information provided in January by the Small Business Administration (SBA), small businesses totaled over 58,000 in Wyoming in 2009. Based on this report, small businesses represented about 96 percent of our employers and employed over 64 percent of our private-sector workforce. The SBA reported that these businesses are central to Wyoming's health and well-being.

The ingenuity, work ethic and can-do attitude of those engaged in our small businesses remind us of what made this country great.

In Jackson, Ashley Watson started Mountains of Groceries a little over four years ago. For the first year, Mountains of Groceries was a web-based grocery delivery service. Through Ashley's hard work the business grew beyond grocery delivery to other services, like custom gift baskets, party planning and more.

As the business has grown, Ashley has kept customer service her highest priority, but it is also a priority of hers to give back to Wyoming. Ashley donates a percentage of her profit back to the community for conservation efforts as well as providing leftover food to the needy.

In 2011, Ashley was recognized as the SBA Young Entrepreneur of the Year.

Congratulations, Ashley. Thank you for representing young people and small businesses so well. Please stand so we may acknowledge you.

For years Wyoming suffered from drought. We wished for the drought to end, and we got more than we wished for last year.

We had such an excess of moisture and run-off that landslides occurred, streams became swollen and dangerous, highways were flooded and closed, agricultural lands were affected, and communities were at risk. This presented a significant challenge, not only because of the magnitude of the run-off, but also because the problem was not localized -- it affected the entire state with some areas harder hit than others.

I took a novel approach and called out the Guard before the flooding hit. I issued a state disaster declaration early on, and the President followed with a federal one.

The Guard and our Office of Homeland Security were hard at work, at our side, throughout the disaster. The Department of Corrections, the Wyoming Department of Transportation, the Wyoming Department of Agriculture, local volunteers and others pitched in. The Corps of Engineers and FEMA provided resources and materials. Towns and counties mobilized local resources as well.

The State handled the challenge posed by last year's spring flooding well.

Thanks to the planning effort, when a flood-related event occurred, we were able to address the situation quickly.

As it was, estimates for flood-related repairs to highways are over \$31 million (with about 90% federally funded and 10% Wyoming Department of Transportation funded). This figure shows the order of magnitude of the damages even with the state's effective response to the situation.

And our thoughts and prayers remain with those who were most affected by the flooding, where the losses are permanent, where lives were lost.

An example of the strength of Wyoming communities is how they responded to the floods. A mayor of one of our local communities, John Zeiger of Saratoga, is here today.

Mayor Zeiger, in responding to a call to assistance as the county emergency coordinator, was injured when his vehicle was swept away at the same site where four people lost their lives.

With water rising around him, he did not think he would see his family again. He was rescued and said he felt fortunate to be alive.

As our emergency responders and law enforcement officers often do, Mayor Zeiger put himself in harm's way -- thinking of others before thinking of himself. Mayor, please stand and let us thank you for your service.

General Luke Reiner, the Adjutant General of the Wyoming National Guard, is another person high on the list of those who give of themselves in service to others.

As I mentioned, General Reiner and the Guard helped immensely during the flooding last year. The Guard has also continued to be deployed to Afghanistan and elsewhere.

The fact is no country has ever been better served, or made more proud, by a military than America so while we thank General Reiner and the Guard, let's take time to thank all the men and women who have served or are serving in the armed forces. General Reiner, please stand.

We know we can count on our military in emergencies and in defense matters, and we appreciate all you do.

I'll end where I started today -- with the budget.

We know that the federal role in the budget is diminished and for the most part I have not sought to replace federal dollars with the principal exception being Medicaid.

We recognize that the standard budget has more than doubled over the last decade and cannot continue on this trajectory over the next decade.

I have made a number of one-time requests for this biennium because such a strategy requires review on a regular basis, reduces the opportunity for creeping growth, and increases transparency.

I support \$15 million dollars in funding to the Municipal Solid Waste Landfill Account.

I asked for about \$168 million dollars for communities and infrastructure spending for both new construction and maintenance efforts.

I also asked for \$100 million of new dollars for highways.

And I asked for savings.

Not all issues have been resolved. Additional discussion is needed regarding the Department of Health, from emergency detention dollars to Medicaid funding. A legitimate case has been made for raises for judges, janitors and others. In making a decision on what if any raises are given we must be guided by past considerations given, sustainability and fairness.

I ask for your support for the Pavillion water solution effort and on worker safety. As we work through the many issues, my door remains open to all of you.

I want to say it's been a great honor to serve the State this past year.

Carol and I and our children, Mary and Pete, have met so many gracious, interesting, talented people. We have attended so many wonderful community events.

We feel blessed to have the opportunity to serve as Wyoming's first family.

Wyoming is on the right track. We are a state that has proven we can still guide our future. We can solve our problems better than Washington can and we can do it in a way that is better *for* Wyoming. We will produce a budget -- something not done in Washington in over 1000 days. And we will produce a balanced budget -- something not accomplished in D.C. for far too long.

I have mentioned we are the best run state. We must make certain that Wyoming's legacy does not only have the title of the best managed state but that every child, every family and every business is managing the best, doing the best. Working together I know Wyoming can continue to be the best in title and in reality.

Thank you and may God bless the United States and the great State of Wyoming.